

1-1-1993

## Poland and the European Community: Toward Full Integration

Jan Krzysztof Bielecki

Follow this and additional works at: [https://repository.uchastings.edu/hastings\\_international\\_comparative\\_law\\_review](https://repository.uchastings.edu/hastings_international_comparative_law_review)

 Part of the [Comparative and Foreign Law Commons](#), and the [International Law Commons](#)

---

### Recommended Citation

Jan Krzysztof Bielecki, *Poland and the European Community: Toward Full Integration*, 16 HASTINGS INT'L & COMP.L. Rev. 619 (1993).  
Available at: [https://repository.uchastings.edu/hastings\\_international\\_comparative\\_law\\_review/vol16/iss4/8](https://repository.uchastings.edu/hastings_international_comparative_law_review/vol16/iss4/8)

This Article is brought to you for free and open access by the Law Journals at UC Hastings Scholarship Repository. It has been accepted for inclusion in Hastings International and Comparative Law Review by an authorized editor of UC Hastings Scholarship Repository.

# **Poland and the European Community: Toward Full Integration**

*By* JAN KRZYSZTOF BIELECKI\*

## **I. FROM THE CONCERT OF EUROPE TO MAASTRICHT**

It is difficult to call the twentieth century the century of Europe; that description belongs rather to the nineteenth century. It was during the nineteenth century that several of the most powerful European states decided to conduct politics on a global scale and colonial empires stretched over millions of square miles. The "mission of spreading European civilization" to other continents was hardly questioned. The nineteenth century was also the century of the industrial revolution, of an ever-rising standard of living, and of great hopes connected with progress and international cooperation. It looked as though things could only get better. Technical achievements and social engineering were to bring an end to poverty, hunger, and disease.

Only a few voices warned about turning a blind eye to those forces that threatened to destroy the strenuously built order based on the balance of power, which appeared to guarantee peace, stability, and material prosperity. Time has shown that it was those few who were right. World War I, the first "large scale war of white people" finally brought the "beautiful nineteenth century," and its illusions, to an end. The new epoch destroyed not only the previous century's illusions but also its misgivings. Barely two decades separated World War I from World War II, which was even more bloody and cruel. Technical achievements had come to mean more efficient ways of killing people and led to genocidal experiments on a scale never before seen. Europe had become the continent in which people were burnt to death in ovens.

---

\* Member of the Polish Parliament, Minister for European Integration. This article was presented in March 1993 at the Hastings International and Comparative Law Review's Eleventh Annual Symposium on International Legal Practice, "The European Community in Evolution: Toward a Closer Political & Economic Union."

The brief period between World War I and World War II, said by some to be a truce forced upon the conflicting states by their own internal crises, was marked by permanent tension in international relations. For Poland, these two short decades were a time of independence and sovereignty. The tragic events of Poland's most recent past were determined by the fact that on the threshold of the nineteenth century Poland lost her independence and was partitioned among her three neighboring states: Russia, Prussia, and Austria. Polish territories became provincial outposts of the three great powers. Although these areas benefited from the pan-European developments, these benefits came late and were often fraught with restrictions imposed by the occupying states. Polish national history associates the nineteenth century with armed uprisings for independence rather than with railways, steamships, and the laying of telegraph wires.

Nineteenth century Poles did not necessarily yearn for Europe; rather, they counted on European, primarily French and British, aid in their struggle for independence. Eventually, independence was achieved amid the great turmoil endured in Central and Eastern Europe between 1917 and 1919. Aid from countries such as the United States also played a significant role in this achievement.

Europe in the 1920s and 1930s was a difficult continent for small and medium-sized states. Wedged between Hitler's Germany and Stalin's Soviet Union, with the onset of World War II, Poland found herself crushed by her neighbors. Although linked to France and Great Britain by military alliances, Poland was left to defend herself. During the six years of World War II, the Soviet Union changed from being Hitler's ally to being aligned with Churchill and Roosevelt. Poland, a country of thirty-five million, located in the very heart of Europe, became a pawn in a great game. The victorious Red Army occupied all of Central and Eastern Europe. Poland, her inhabitants reduced to twenty-four million and her borders redrawn, found herself behind the "Iron Curtain." The Communists, on Moscow's behalf, took control.

The second half of the 1940s was a period of great uncertainty. At first the United States was unable to decide whether to remain in Europe: The Western public had forgotten about the Hitler-Stalin Pact, and the Red Army was seen as the hero of the war against fascism. The Communist Parties of France, Italy, and Greece were strong and influential. Many politicians contemplated a third world war; some hoping it would take place, others fearing that it would. However, events never reached this stage. A new order was formed

out of peace, an order based on the division of the continent. The Western societies which had abandoned Poland allowed Stalin to realize his plans without repercussions. Poland became a member of the "socialist camp," and in official Polish propaganda Europe came to signify the "imperialist enemy."

Simultaneously, in Western Europe, under the protective shield of the American forces and with the help of the Marshall Plan, war-time ruins were quickly rebuilt. Soon the idea of a united Europe emerged. The beginnings of unification were modest, even pedestrian. On April 18, 1951, six states (Belgium, France, Holland, Luxembourg, Italy, and the Federal Republic of Germany) signed The Treaty of Paris.<sup>1</sup> This international administrative body for mining and steel-works was to serve economic, political, and military objectives. However, further attempts at integration were halted in 1954 when the French government refused to accept the concept of a politically united Europe restricting France's sovereignty.

In Eastern Europe, following the death of Stalin and the rejection of his personality cult, a "thaw" set in. Although the Iron Curtain parted slightly, it remained in existence, and Poland was still within the "socialist bloc." The relaxation allowed greater contacts between Eastern and Western Europe, but it also served to confirm the unquestioned division between the two halves of the continent. The integration process would continue, but it would involve only Western Europe.

The states constituting the European Coal and Steel Community took further steps in the unification of Western Europe. On March 25, 1957 the European Economic Community<sup>2</sup> (EEC) and the European Atomic Energy Community were established.<sup>3</sup> Eleven years later, on April 8, 1968, the so-called Merger Treaty was enacted to harmonize all three bodies.<sup>4</sup>

In 1989, the Communist empire collapsed before our very eyes. The political system established by the victorious powers at the end of World War II which had lasted throughout the Cold War toppled. Luckily for the world, and above all for Europe, the Iron Curtain col-

---

1. TREATY ESTABLISHING THE EUROPEAN COAL AND STEEL COMMUNITY [ECSC TREATY].

2. TREATY ESTABLISHING THE EUROPEAN ECONOMIC COMMUNITY [EEC TREATY].

3. TREATY ESTABLISHING THE EUROPEAN ATOMIC ENERGY COMMUNITY [EUROATOM TREATY].

4. TREATY ESTABLISHING A SINGLE COUNCIL AND A SINGLE COMMISSION OF THE EUROPEAN COMMUNITIES [MERGER TREATY].

lapsed without a military struggle and without a civilian massacre. The states of Central Europe gained, or in some instances regained, independence. In addition, the republics which previously made up the Soviet Union began demanding independence.

The system of international relations that had been based on the global rivalry of two empires and a balance of terror no longer existed. The repercussions of this change were felt throughout the world, but Europe was particularly affected. With the removal of the Iron Curtain, countries previously separated from Western Europe could now lay claim to their European heritage.

On February 7, 1992, representatives of the countries of the Economic Community (EC)<sup>5</sup> took another step toward unification by signing the Maastricht Treaty (the Treaty).<sup>6</sup> The historical significance of ending the division of Europe and the need to lay lasting foundations on which to build the continent's future were the foundation for the Treaty's enactment. An integrated Europe is to be set up on the existing three European Communities, strengthened and supplemented by new forms of cooperation. Any comparison of the EC to past international organizations is fundamentally erroneous. The former not only possesses its own supreme law, which limits the sovereignty of member states, but also has created its own legal systems which are independent of the member states' legal systems.

The signing of the Treaty was an attempt by the EC to avoid the problems facing Europe. Threatened once more by national pride and prejudice, uncertain of its identity, and incapable of responding to all the challenges brought about by the fall of the Communist empire, the EC sought new impetus and new bonds of solidarity.

For nearly half a century, the political and military presence of the United States has guaranteed the stability and security of Western Europe. This presence is still necessary and the transatlantic partnership continues to be a basis of European stability. Yet, winning the Cold War freed Americans from some of the responsibilities they once undertook. The countries within the EC must respond to the challenges that have arisen within their sphere of influence, and must assume greater responsibility for the fate of Europe. The European Community cannot shy away from its responsibilities toward the continent's future.

---

5. The EC now numbers twelve: Great Britain joining in 1972; Denmark and Ireland in 1973; Greece in 1981; and Spain and Portugal in 1986.

6. Treaty on European Union, Feb. 7, 1992, 31 I.L.M. 247 (1992) [hereinafter Maastricht Treaty].

The integration of Europe creates an opportunity to build the greatest commercial and financial power in the world. The Treaty gives equal weight to both economic and political integration. Economic integration is imperative for the smooth functioning of a huge market designed to allow the free interchange of goods, capital, and services. Political integration under the Treaty allows respective states of the Community to retain their autonomy. Member states willingly acknowledge the Community's authority in monetary, foreign policy, and defense matters.

The unification of Western Europe will be the cornerstone of the continent's stability. This is very important as the post-communist world is far from stable. Civil war rages in the former Yugoslavia, chaos prevails in the former territories of the Soviet Union, and Czechoslovakia has recently been replaced by two sovereign republics: Czech and Slovak.

Today, Europe faces the very real danger of an isolated Central Europe fraught with mutually reinforcing nationalist and autarchist tendencies. This possible development could so intensify the internal problems of the region that any long-term prospect of pan-European integration would become inconceivable. A deepening cultural gulf between Eastern and Western Europe could lead to a lasting continental discord. The various dangerous tensions in the East could lead the West to sever its ties even further and raise even more barriers. Eventually, it could result in its building a "cordon sanitaire" along its borders adjacent to those parts of Europe which not only hold out little hope of development but also appear to be a potential source of serious problems and threats. We must break out of the vicious circle of events that have kept the two parts of the continent separate.

## II. EUROPE AND THE FUTURE OF POLAND

For Poland, with nearly forty million inhabitants, lying right at the center of the continent, integration into the EC is the basic premise of its foreign policy and its strategic aim. Poland looks on the process of integration into Europe as a means of finding a secure place for itself. The sudden disintegration of the security system based on the Warsaw Pact and East-West balance, although obviously welcomed and beneficial, had the effect of throwing the European security system out of balance, including the security of Poland and other post-communist states. In these new circumstances, Poland is endangered by the events taking place in the former territories of the Soviet Union and

faces a radically reduced defense potential. The safest way for Poland to return to the world economic and political scene could be to forge close links and cooperation with the strengthening and expanding EC.

Polish public opinion polls indicate support for the Polish foreign policy of joining the EC. The polls show that if a referendum concerning acceptance of the Maastricht Treaty took place today, nearly two-thirds of the people would vote for Poland's entry into the EC. Seventy-seven percent of those polled expressed their belief that integration would lead to faster economic growth in the country, and sixty-six percent believed joining the EC would increase Poland's security.

Poland is the largest country in Central Europe, and it is a country with both strategic and geopolitical significance. Consequently, Poland could become an important element in the process of building a new Europe. Without the benefit of integration into the EC, countries such as Poland will be unable to respond to political, social, and economic challenges. It is in Poland's best interest to avoid becoming a minor European power, involved only on the periphery of the emerging system. Poland must not allow herself to become a buffer state between the EC and the Commonwealth of Independent States. History has shown that sooner or later such states are crushed.

Despite the efforts of the twelve EC member states, a significant disparity still exists within the group. Such disparity is illustrated by the levels of economic development and wealth of Holland and Germany on the one hand and of Greece and Portugal on the other. Even rigorous enforcement of parity schemes will not solve the dilemma the Community now faces: whether the EC should be fully integrated and consolidated prior to expansion or whether the more rational approach would be to simultaneously strengthen internal relations and extend membership to new states.

If EC member states choose the first course of action and concentrate exclusively on European integration, the efforts of countries such as Poland to rapidly secure full membership in the EC will be hampered. When such countries are finally invited to integrate, political and economic differences among the states could present unsurpassable barriers.

Poland's economy is still in a difficult position, and partial integration with Europe will not be particularly beneficial. Poland does not want to be a passive consumer of western goods but rather seeks to have her economy strengthened by large investment and to participate on an equal footing in the international division of labor. This

goal is another reason why Poland seeks a cohesive community with all the political and economic implications.

There is some opposition from Polish as well as EC politicians to Poland's joining the EC. However, we should not be discouraged by temporary difficulties, and we must continue to strive for a calendar of full membership to be drawn up. The stages of admission could be harmonized with the stages of the EC's internal consolidation. The dilemma is whether a deepening or enlarging of the community would be to Poland's advantage. Poland realizes that she is not yet ready for economic integration with the EC countries. Over forty years of isolation have resulted in wide disparity between the Polish and Western European economies. There is a growing gap between the per capita income of the average Pole and that of the average resident of the Western part of the continent. For this reason, Poland does not insist on immediate membership but rather insists that concrete terms of entry and precise conditions of entry be drafted.

Poland does not expect miracles and does not anticipate that entry into the EC will automatically secure for Poland the development and prosperity enjoyed by the twelve EC member states. Hard work, determination, and management abilities will be the fundamental and decisive factors in Poland's transition to a modern economy. However, Poland will not achieve faster growth and prosperity without being open to the world and without drawing on the experience and help of others. It is equally hard to imagine Poland's success without the EC being open to Poland.

### **III. THE PROMISE OF POLISH ECONOMIC REFORMS**

In 1989, Poland became the first Eastern bloc country to repel communism. The first government of the independent Poland decided to introduce a series of radical and painful reforms based on the tenets of economic freedom. Administrative restrictions on economic activity were abolished, and the complete de-monopolization of trade links abroad followed. Poland succeeded in introducing the internal convertibility of Polish currency, the first step to full convertibility.

In 1991 a new duty tariff was introduced. This duty tariff conforms with those in force in EC member countries. Restrictions on imports and import licenses remain in only a few areas. The exchange rate of the zloty and the duty tariff are the basic means of export and import regulation. After decades of strict price control, price policies in Poland are now far more liberal than those in any EC country. The



prices of goods and services are freely fixed by the producers, the tax system is being reformed, and a Value Added Tax (VAT) and accounting system meeting international standards will be introduced on July 7, 1993.

Polish foreign investment law guarantees all economic entities, domestic and foreign, equal rights and responsibilities. Foreign investors have the right to absolute and unconditional profit transfer. The law protects against political risks and guarantees compensation in the case of loss incurred due to nationalization or expropriation.

Poland is sometimes treated by potential foreign investors as a high risk country. Yet, Poland is the only country among those that gained or regained independence following the fall of communism which is not threatened by collapse, which has no territorial pretensions toward its neighbors, and which has undisputed borders. Poland is also the only country from the former Communist bloc whose economy is moving out of recession. The positive tendencies registered in the first three quarters of 1992 continued throughout the fourth quarter. A thirteen percent rise in the sale of manufactured goods and property development (as compared to the previous year), a slowing inflation rate, a rise in output, and further development of the private sector are major achievements and should not be underestimated. The growth of the private sector is especially encouraging; at present more than forty-five percent of gross domestic product (GDP) is produced by the private sector. During the past three years, more than 1.7 million new private companies have set up in a country with a population of barely 40 million. More than eighty percent of retail and wholesale trade and road transport is in private hands. The private sector also provides at least half the country's work places.

Poland's GDP, which in 1990, the first year of shock therapy, fell by twelve percent, and the following year by eight percent, was forecast to reach a two percent growth level by 1992. Positive developments took place in foreign trade. Due to a large increase in exports, Poland has a foreign trade surplus. In addition, unemployment has stabilized.

Poland is beginning to benefit from the decisiveness with which it set out on the road to a market economy. The other countries of the former Communist bloc decided on a far more evolutionary approach. Those countries are now beginning to experience a protracted recession resulting from their structural transformations and the collapse of the former Soviet Union's market, on which all were dependent.

## **IV. THE EUROPE AGREEMENT**

### **A. Genesis**

The Treaty of Rome authorizes the Community to negotiate treaties of association with a third state. Such treaties define mutual rights and responsibilities, lay the foundation for economic cooperation, and establish special procedures. In May 1990, Poland submitted a formal request for the opening of association negotiations. The negotiations began in December 1990 amid optimism from both the European Commission ("Commission") and the Polish government. The negotiations were expected to last until mid-1992, but the first round of negotiations dispelled these hopes. Next to the very definition of the type of Poland's association - full membership in the EC - the most controversial issue was the admission of Polish products into the markets of the member states. Four groups of products were singled out: steel, coal, textiles, and agricultural products.

The initial feeling about giving Poland priority was replaced during the course of the negotiations by the Commission's eagerness to close the Community market to Poland. At the same time the Polish negotiators attempted to win concessions. The Commission wavered in the face of the coup d'état in Moscow and the general uncertainty about the future.

On December 16, 1991, an agreement was signed establishing an association between the EC (and its member states) and the Polish Republic. At the same time, the EC signed agreements with Hungary and Czechoslovakia. These three treaties are called the Europe Agreement ("Agreement"). Although the EC has signed a series of agreements on economic cooperation (agreements of association, tariff integration, and trade treaties), the current agreement differs in regard to the provisions on political dialogue, the harmonization of the EC and Central European legal systems, and cultural cooperation. Had the agreement been ratified by Poland, the European Parliament, and the parliaments of the twelve members states, it would have taken effect in January 1993. Nevertheless, the trade section of the treaty has been binding since March 1992.

### **B. Fundamental Provisions**

The most significant aspect of the Europe Agreement is the institution of a free trade area in accordance with article 24 of the General Agreement on Tariffs and Trade (GATT). This provision excludes agricultural products and is not a tariff union as was the EC's association

with Turkey and Greece. In addition to lifting tariffs between the signatories, a tariff union would create a uniform tariff barrier vis-à-vis third countries. The free trade agreement is a significant achievement, but a tariff union is an essential condition for membership in the Community. Unfortunately, despite the persistent efforts of Czechoslovakia, Hungary, and Poland, a declaration expressing the Community's support for their entry into the trade union was not achieved.

The Agreement's second article provides that the signatories intend to establish regular political dialogue in order to strengthen relations between Poland and the EC, assist economic and political reform in Poland, and establish new bonds of solidarity. The objectives of political dialogue and cooperation, which are later defined in more detail, are to facilitate Poland's full integration into the community of democratic states and to promote gradual harmonization with the Community.

The preamble to the Agreement between Poland and the EC maintains that Poland's ultimate objective is to obtain EC membership. However, this is exclusively Poland's objective, not one endorsed by both sides. The Agreement does not even state the conditions which Poland will have to meet if it is to become a member of the Community. The Polish association agreement was an economic and political compromise. The purport and assumptions of the Agreement are modeled on the Treaty of Rome, which instituted the EEC. Some of its provisions, particularly those concerning the principles of trade liberalization and the movement of capital have been adopted from the Treaty of Rome with minimal changes. The Agreement is of indefinite duration, but it envisions a ten-year transition period after which Poland may be allowed to join the EC by way of an area of free trade for manufactured goods. Whether this will actually occur is difficult to predict. The "transitional period" might be extended though this would not be in Poland's interests. The most essential element in the Agreement is the principle of asymmetry, which Poland demanded throughout the negotiations. Poland is to gain access to the EC market before the end of 1997; the EC will gain access to the Polish market before the end of 1999. The absolute exemption from tariff duties would initially account for approximately fifty-five percent of Poland's exports and twenty-five percent of Poland's imports. The tariffs will be gradually reduced year by year until they are eventually eliminated; however, the lowering of duties on Polish exports will not begin until 1995. These provisions will buy Poland essential time to bring a variety of sectors up to European standards.

Financial aid from the Community in the form of grants and loans will help reduce disparities.

The Agreement conforms with the principles of free trade by effectively limiting opportunities for unilateral protective policies on the part of Poland such as raising tariffs, setting import and export quotas, or other similar measures. Signatories may, however, adopt exceptional measures to protect their markets or the balance of payments within rigorously defined limits.

The Agreement makes no mention of free trade in agricultural products. Poland, unlike the member states, simply cannot afford huge agricultural subsidies. Nevertheless, Poland's pork, poultry, and vegetable producers benefit from the Agreement because the EC has raised the ceiling on the import of these goods. In addition, Poland has lowered duties on specific items not domestically produced such as citrus fruits, tea, and certain types of cheese. However, Poland has not managed to secure agreement on limiting export subsidies. Such subsidies constitute a serious threat to both Poland and Hungary.

Apart from economic matters, the Agreement speaks - admittedly in rather general terms - of forms of political dialogue, cultural and social cooperation, and the exchange of information. The final sections of the Agreement are devoted to institutional cooperation between the signatories. It is expected that an Association Commission will be established to monitor implementation of the agreement and arbitrate eventual disputes.

Implementation of the Agreement should secure Poland's economic development. Full implementation would lead to a reduction of barriers hindering the free movement of goods and services, a partial reduction of the obstacles to the movement of capital, an increase in Poland's credibility in the eyes of foreign investors, and a chance of attracting modern machinery and know-how without having to negotiate new loans.

### **C. Consequences for the Polish Legal System**

Under Communist rule the Polish legal system served the goals of central planning and management. Numerous regulations allowed the government to intervene in state economic institutions and other enterprises. These regulations were fundamentally inimical to the free movement of labor and capital. Over the last three years, many reforms have been instituted in order to adapt Polish law to free market requirements. However, not every step has been taken. Therefore,

one condition of entry to the EC is the adaptation of Polish legislation to that of the EC. The harmonization of legal regulations includes tariff law, company law, banking law, accounting and corporate tax, intellectual property, competition principles, and regulations relating to health and safety in the work place.

The Europe Agreement states that Polish law must adapt to the EC law within a ten-year period. Ten years is ample time to establish priorities and proceed with harmonization. Among all of the Agreement's requirements, harmonization of the legal system is the least controversial. Even if Poland had not attempted to join the Community and had not signed the Agreement, reforms would still have been introduced to make the Polish legal infrastructure compatible with those of her main economic partners.

The fact that Poland is a civil law country makes the task of harmonization easier. Many Polish institutions have been modeled on the French, German, and Austrian systems. Nevertheless, in a few areas, such as regulations restricting subsidies to state enterprises, the EC standards will raise problems and even conflicts, due to the rapid pace of integration.

It should be noted that the Europe Agreement allows signatories a large degree of freedom and does not demand that, in most areas, Community institutions be followed slavishly. Poland is only required to harmonize its legal regulations with current and future Community legislation in business law, consumer rights, and employment rights. Poland can choose from among the quite varied internal legal models of the EC member states. It also must be remembered that many areas deemed priorities by the Agreement are not in fact integrated within the already existing EC states. These areas range from tax law to the important areas of employment and company law. Legislation regulating employee participation in work-place management is an example of the lack of integration. In countries such as Germany and Holland there is fairly advanced participation, at least on inspection committees, whereas a completely different system exists in Britain.

Many difficulties confront Poland during the integration process; there is no need to add further upheavals of a legal nature. The continuity and coherence of Poland's legal system must be maintained. Preference should be given to the reformist methods of harmonization as long as they are able to ensure a sufficient degree of legal conformity.

In some sectors, a unified system of law is absolutely imperative. Real integration will never take place unless a common, uniform mar-

ket is created. However, complete uniformity is not required as is illustrated by the United States. U.S. federal regulations deal only with the most important aspects of the market such as antitrust regulation and taxes. The Uniform Commercial Code provides a framework for basic commercial transactions, and securities regulations police the capital markets. Yet in many other areas connected with the functioning of the market, legal regulation is a matter of state law.

#### **D. The Effect on Polish Manufacturing**

The virtue of the Europe Agreement is its recognition of "open provisions." Though on the issues of free trade, such as the sale of goods, the provisions of the Agreement are relatively closed (which facilitates other freedoms, such as the freedom of movement), the pace of integration is self-determining. This allows the signatories to speed up harmonization in areas they consider important and to slow them down in areas deemed less important. It is imperative that Poland encourage the growth and development of the financial services sector if it is to attract foreign investors.

Once linked to the EC, Poland will be one of its largest member states in terms of both area and population. However, from the point of view of its economic potential it will be near the bottom of the list. The greatest disparity between Poland and the EC is not just in Poland's economic capacity but also in the levels of health care and environmental protection.

Disproportionate economic potential results from the fact that while Polish exports do not have a serious impact on the EC market (apart from a few, narrowly defined areas such as unprocessed steel products and some textile and agricultural products), the Community is a major factor in Poland's foreign trade. The dramatic fall in trade with the former Council for Mutual Economic Assistance (COMECON) countries has to a large extent been compensated for by the growth in trade with EC countries (in 1990, this stood at more than forty-six percent, and in 1992, more than fifty-five percent). In other words, fluctuations which might be significant for Poland, even to the point of marginalizing the very existence of many Polish producers, have a marginal impact on the Community.

The opening of free trade between Poland and the EC offers an opportunity to intensify mutual trade during the transition period and to reform the export structure so that manufactured goods play a greater role. The nature of Polish exports to developed countries in the post-war period has not been advantageous. Since these exports

are dominated by agricultural products and raw materials, they manifest Poland's low level of economic development.

Changes in the structure of exports and the growth of trade must be stimulated by direct foreign investment. Tax incentives and preferences for domestic investment in indigenous manufacturing must also be developed. Industrial cooperation with western European companies should stimulate the growth in Poland's foreign trade of manufactured products. At the moment, the share of manufactured products is far lower than in highly developed countries.

The Agreement has implications for Poland's economic policies during the transition period, primarily in the areas of trade and industrial, agricultural, technological, and political reform policies. The Agreement will give Polish non-agricultural products - with the exception of textiles, coal, steel, and certain raw materials - unrestricted entry to the Common Market. It is imperative that at the moment the Agreement comes into effect the government assist and stimulate Poland's infant manufacturing industry through appropriate policies that could allow new technology to enter Poland.

In addition, financial and organizational mechanisms that facilitate the modernization and reform of the most threatened industries should be developed during the transition period. It is also important that Polish agriculture be reformed. Government policies must give priority to the development of the service sector in rural areas and to the stimulation of manufactured agricultural articles.

### **E. The Effect on the Polish Services Sector**

In the area of services, both Poland and the EC countries are obliged, from the moment the Agreement comes into effect, to guarantee the citizens and companies of the other signatory countries treatment equal to that received by their own citizens and companies. In certain sectors there will inevitably be some delays in implementation of this goal. The delays may extend until the end of the first stage of the Agreement, or even until the end of the transition period. During the first stage of the transition period, companies may be set up in the service sectors, with the exception of financial services and legal services. However, legal services providing advice on international law and trade may be established during this time.

If Poland is to benefit from the Agreement, it must develop specialization in the service sector. It is obvious that in the next few years it will be impossible to reach European standards in every area of this

sector. It will take years to close the gaps resulting from years of isolation. However, improvement in some sectors looks very promising. It is anticipated that some Polish companies will soon be ready to open subsidiaries on EC territory.

Due to the liberalization of the service sector, firms experienced in finance, management, and privatization will be attracted to Poland. Although these are activities requiring little capital, they do require highly qualified and specialized personnel. The availability of such business services should bring cost and quality improvements, thus increasing the competitiveness of Polish products. In addition, new jobs will be created since financial, banking, and insurance services are labor intensive.

Most investors base themselves in the capital city of Warsaw due to the communications system, office space availability and suitability, proximity of foreign representatives and embassies, and large pool of trained labor. In a modern economy, a well developed service sector is essential to the efficient functioning of the whole economic system and is imperative for dynamic economic growth. Therefore, the Polish government should encourage foreign capital both to invest in and promote the development of services in the regions with the highest unemployment.

The tourist industry requires particular attention and needs large scale investment if it is to grow. This industry should prove particularly attractive to potential investors due to its relatively quick returns. Domestic investors tend only to build "guest-houses" and hotels in already densely-populated resorts. Foreign investment is essential to the growth of this sector.

The Europe Agreement deals with matters affecting Polish business entities operating within the EC member states and vice versa. The Agreement's resolutions are modeled on provisions in the Treaty of Rome. As soon as the Agreement comes into effect, the EC will grant Poland the same rights to set up companies on its soil as those enjoyed by member states' companies. However, Poland will reciprocate gradually, and in particularly sensitive areas such as the financial sector the right to set up companies will only be granted at the end of the transition period.

## **F. The Effect on Polish Agriculture**

As noted above, the Agreement makes no reference to free trade in agricultural products. Only a very gradual and cautious liberaliza-



tion of access to EC markets is foreseen during the first five years. At the same time, the scale of growth will still not be sufficient to have a dramatic effect on Polish agriculture. At the end of the association period, the Polish agricultural sector will be far less integrated with the EC economy than will other sectors. While free trade area mechanisms will be in place in the industrial sector, the agricultural sector will still be regulated, to some extent, by the state.

The Europe Agreement does not impose any restrictions on Poland's domestic agricultural policies. In spite of this, over the next few years Poland will be forced to initiate policies resembling those in force in the Community. The very fact of association could have a direct effect on Polish agricultural policies, but this has nothing to do with the Europe Agreement. It is essential that Polish agricultural policies adjust to the market economy.

### **G. The Effect on the Structure of Polish Companies**

The economy of communist Poland was characterized by the predominance of large companies and vertically organized state concerns. Some of them still exist. In the EC, however, most firms are small or medium sized, employing between ten and five hundred workers. The crucial role of small and medium sized companies in the contemporary economies of highly developed countries results from the fact that they are efficient instruments for solving problems such as unemployment or regional and branch restructuring. During the last three years Poland has lifted barriers and restrictions to facilitate the development of private companies. This policy has had impressive results.

The key to this success is found in the energy and imagination which is released when working "for oneself." Indeed, policies supporting the development of small and medium sized concerns have not been introduced by either central or local government. In EC states and the Community itself, these policies consist of creating the appropriate conditions for the development of small and medium sized companies, and they require state subsidies and experienced administration.

Poland's financial limits mean that these opportunities for economic development have not been pursued. The Europe Agreement offers Poland concrete assistance in building small and medium sized firms. This assistance takes the form of legal, administrative, technical, tax and financial conditions, and specialist services through training and advice in accounting and marketing.

## V. CONCLUSION

We must be realistic and acknowledge that during the life of the Europe Agreement it will be extremely difficult to reach the economic level of even the weakest economic members of the EC. These weak member states will employ mechanisms, reinforced by Community money, to refuse Poland access to the EC. The objective of Polish policies should be to expand her area of economic access vis-à-vis EC countries so that the distance between Poland and the EC does not increase.

Between 1996 and 1999, the matter of Poland's membership in the EC may become the subject of concrete negotiations. The EC countries will enter a phase of transformation working towards European Union. That is, of course, if this process is not brought to a halt by the rejection of the Maastricht Treaty. In furtherance of Poland's membership in an integrated Europe, every arm of Polish government will have to be careful about its price policies, rates of exchange, balance of payments, levels of budget deficit, and public debt. Political factors will also be of extreme importance.

Politics should always serve a certain ideal, a certain vision, even if this vision is not a sophisticated one. At the moment it seems as if European politics suffers from a lack of vision. After the fall of communism, the obvious answer to the question "whose Europe?" should be, "all Europeans'." Unfortunately, this is rarely the answer given by people whose opinions are decisive for the future of Europe. Instead, we get manifestations of a clear mistrust toward political developments in the new European democracies.

It appears that a sense of parochialism has entered into European thinking. Paradoxically, this parochialism has arisen in the same year which was supposed to witness a pan-European euphoria to be brought about by the spectacular birth of a new integrated Europe.

Until recently, it seemed that it was we, the people behind the Iron Curtain, the people beyond the pale, who were the ones lacking broad political thinking. Today it seems as if the blinders are worn by west Europeans; they can only see themselves, persisting in the belief in a lasting peace paid for by the division of Europe, and hoping that without political will and political determination, they can defend their own security and welfare. The European Community must not ignore political reality; it must not concentrate on itself alone. If the twenty-first century is really to be the century of Europe, it must be the century of all of Europe.

